

Inquiry Raising Major Questions About the C.I.A.

The following article is based on reporting by Philip Taubman and Jeff Gerth and was written by Mr. Taubman.

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WASHINGTON, Dec. 16 — The chairman of the House Select Committee on Intelligence said today that the committee's investigation into the activities of two former American intelligence agents had raised serious questions about the conduct and policies of the Central Intelligence Agency.

The chairman, Representative Edward P. Boland, said that the committee's inquiry into the activities of Edwin P. Wilson and Frank E. Terpil, two former employees of the C.I.A. who have been charged with illegally shipping explosives to Libya, had dealt with the agency's apparent inability to control businesses it secretly owned and to maintain the security of its operations.

The investigation, he said, also focused on the lack of agency policies to govern contacts between current and former employees and the capacity of the C.I.A. to conduct internal investigations of reports of abuses by its staff.

These and other issues examined by the committee will be the subject of public hearings early next year, according to Mr. Boland, a Massachusetts Demo-

crat. He provided a status report on the panel's investigation in an interview today.

He said that the investigation, which is continuing, had not come up with answers to several of the key questions raised by the activities of Mr. Wilson and Mr. Terpil, including the issue of whether the C.I.A., directly or indirectly, approved their work in Libya.

The two men, according to Federal investigators, closed a deal in 1976 with Col. Muammar el-Qaddafi, the leader of Libya, to sell that country their expertise in intelligence and military matters to train terrorists.

A number of senior Justice Department and intelligence officials suspect, but have been unable to prove, that senior officials at the C.I.A., acting without the consent of superiors, gave tacit approval to the Libyan venture in 1976 in hope that it would produce intelligence information otherwise unavailable to the United States.

The C.I.A. has repeatedly denied any official involvement in the activities of Mr. Wilson and Mr. Terpil. Dale Peterson, an agency spokesman, said today that the C.I.A. would make no comment on the Intelligence Committee's investigation until it was completed and the agency had been fully informed about its findings.

The C.I.A. has also been investigating whether those officials disclosed sensitive intelligence information to Mr. Wilson without authorization to help his business operations abroad.

Mr. Wilson and Mr. Terpil were indicted last year by a Federal grand jury after investigations by at least five Federal agencies. Both men are currently fugitives. Mr. Wilson lives in Libya and Mr. Terpil was last known to reside in Beirut, Lebanon.

Their case, since it began to unfold five years ago, has repeatedly been a source of consternation for the C.I.A. and Justice Department as the two agencies, at times at odds with one another, investigated the activities of the two men, according to Federal officials.

Disclosures Bring Out Problems

The more information that emerged, these officials said, the more the case seemed to expose major problems, ranging from the Government's apparent inability to control the conduct of former intelligence agents to gaps in Federal law that permitted Americans to train terrorists as long as they did so abroad. The case, they added, also illustrated weaknesses in export control laws and their enforcement.

Mr. Boland said that the committee staff, in reviewing all these concerns, conducted more than 100 interviews since it began work three months ago. The first goal, he said, was to trace the careers of Mr. Wilson and Mr. Terpil, their association with the C.I.A. after they left Government employment, and the handling of their case by Federal agencies, including the Federal Bureau of Investigation, the Defense Department and the C.I.A.

"It's clear that the C.I.A. and the F.B.I. didn't do a thorough job of investigating allegations about Wilson and Terpil when they were first brought to the Government's attention," Mr. Boland said. The quality of investigations has improved recently, he added, noting that the C.I.A. opened its files to the committee staff and had conducted its own "broad-ranging" review of the Wilson-Terpil case and related matters.

Mr. Boland said that the intelligence agency "should have adopted a code of ethics for its employees a long time ago." He said he hoped the agency would do so in the near future.

As the committee investigation progressed, according to Mr. Boland, the staff identified seven major areas in which serious questions were raised about the conduct of the C.I.A. and other Federal agencies, and the adequacy of Federal laws. He said these seven areas had been given particular attention by the committee. They are:

Agency's Secret Businesses

The C.I.A. runs secret businesses, known as proprietarys, to provide cover for agents, to "wash" money for covert operations, and for other clandestine purposes. The management of these businesses has never been systematically examined by Congressional overseeing committees, according to Mr. Boland.

management emerged from the Wilson-Terpil case because Mr. Terpil, while employed by the C.I.A. from 1955 to 1971, established and ran several secret businesses for the agency. While doing so, according to Federal investigators, he apparently also used the companies for private gain.

After he left Government employment in 1976, Mr. Wilson, apparently making use of the skills he had acquired in intelligence work, set up dozens of companies around the world, some of which he used for illegal deals, according to Federal investigators. Officials at the C.I.A. acknowledge that proprietaries were sometimes abused in the past, but say they are now managed under tight controls.

Ex-Agent Contacts

The committee has focused on the lack of clear and well-enforced guidelines within the C.I.A. governing contacts between current employees and former employees who are involved in businesses that deal with the agency. Mr. Boland said that the committee was interested in Mr. Wilson's contacts with several senior agency officials after his departure from Government employment.

Theodore G. Shackley, for example, has acknowledged that in 1976, while he was deputy to the director of clandestine operations at the C.I.A., he met with Mr. Wilson and several Wilson business associates. Mr. Shackley, who retired in 1979, said he hoped to pick up information about the Middle East, where Mr. Wilson was then doing business, but he denied knowing anything about Mr. Wilson's activities in Libya.

Kevin P. Mulcahy, a Wilson business associate at the time who attended the meeting, said it was set up to solicit Mr. Shackley's help in obtaining an export license for sensitive electronic warfare equipment that Mr. Wilson wanted to sell to Egypt.

Mr. Wilson, after leaving Government employment, also had several meetings with another senior official in the clandestine services, Thomas G. Clines, and helped Mr. Clines set up a private business while Mr. Clines was still an agency employee. Mr. Clines has confirmed these contacts but had denied any impropriety.

Internal Investigations

Mr. Boland said that attention had been paid to the efficacy and independence of the C.I.A.'s Office of Inspector General. In 1976, when allegations about the activities of Mr. Wilson and Mr. Terpil were first brought to the attention of the C.I.A., officials ordered the inspector general to conduct an internal investigation to determine whether the agency or any of its officials were involved.

The investigation eventually led to the dismissal of two agency employees who were found to be aiding Mr. Wilson. That inspector general is no longer on the job. However, the position of inspector general in the agency lacks some of the authority granted to similar officials at other agencies, and the intelligence committee has questions about his ability to pursue allegations of wrongdoing by staff members in the agency.

Security for Operations

Concern about the security of C.I.A. operations in cases where friends of agency officials are involved was generated by Mr. Wilson's and Mr. Terpil's association with outsiders while employed by the C.I.A., and, later, their contact with agency officials after the two men retired.

The Intelligence Committee, according to Mr. Boland, is troubled by the possibility that C.I.A. cover for covert agents was used carelessly by Mr. Wilson. In addition, there is concern that Mr. Wilson disclosed information to outsiders about C.I.A. operations.

Finally, there is concern both at the committee and within the C.I.A. over allegations that agency officials may have provided Mr. Wilson with privileged information about foreign nations and businesses after he retired and that he may have used that information for personal gain. These charges remain unproved and under investigation.

Agency Coordination

Interest in the coordination between the C.I.A., F.B.I. and Defense agencies concerning foreign recruitment at-

tempts in the United States was prompted by two operations run by Mr. Wilson.

The first was his recruitment in 1977 of a team of former Army Special Forces troops, better known as Green Berets, to help train terrorists in Libya. Mr. Boland said that the committee had devoted particular attention to this case, trying to determine how Luke F. Thompson, who at the time was on active duty in the Green Berets, was granted permission by his superiors to take part in the operation.

Mr. Thompson has said that he was told by Army intelligence officers that the operation had been sanctioned by the C.I.A. The agency has denied any official involvement.

The second case involves the recruitment by Mr. Wilson since 1979 of American pilots and aircraft mechanics to fly and maintain planes in the Libyan Air Force.

As long as Americans do not enlist in the military service of a foreign power, activities such as these do not violate American law, according to Justice Department officials.

Mr. Boland said that in both these cases, there were questions about how effectively different Federal agencies coordinated their investigations.

F.B.I. Procedures

The adequacy of the F.B.I.'s national network of secure communications and the bureau's procedures for pursuing

foreign recruitment cases is also under scrutiny. The first area, according to committee staff members, stems from concern that the F.B.I. lacks adequate facilities for secure communications about intelligence subjects. The staff members declined to specify how this related to the Wilson-Terpil case, or to say whether there had been security breaches in the investigation of the case.

In the second area, the committee has questions about the way the F.B.I. pursued the foreign recruitment cases, and is apparently concerned that the cases were not given sufficient attention.

Review of Criminal Laws

The committee is reviewing existing criminal laws dealing with Americans who work for foreign powers. The committee, in this case, hopes to see if there is a need for new legislation that would prohibit Americans from working for unfriendly governments, even if that employment does not involve enlistment in foreign military services.

Mr. Boland said the committee would also examine the Export Control Act with a view toward recommending possible changes that would tighten controls on the export of American technology. Several former Wilson business associates have charged that Mr. Wilson attempted to steal and sell to the Soviet Union some advanced American computer technology that has direct and highly sensitive military applications. Mr. Wilson has denied the charge.